

Fraud on the Claims Conference
Prepared Remarks of U.S. Attorney Preet Bharara
November 9, 2010

Good afternoon. My name is Preet Bharara, and I am the United States Attorney for the Southern District of New York.

Today, we unseal charges relating to a perverse and pervasive fraud committed on a not-for-profit organization of historic significance – the Conference on Jewish Material Claims Against Germany (also known as the “Claims Conference”).

For almost six decades, the Claims Conference has paid reparations from the German government to Jewish survivors of the Holocaust – to people who were forced to flee the Nazi advance or waste away in a ghetto or await death in a concentration camp.

And much of that hard-fought funding was intended for survivors of Nazi atrocities who – after all these years – earn less than \$16,000 annually after taxes. It is, essentially, a financial lifeline for thousands of survivors who suffered the worst of what World War II had to offer.

If ever there was a cause that you would hope and expect would be immune from base greed and criminal fraud, it would be the Claims Conference, which every day assists thousands of poor and elderly survivors of the Nazi genocide.

Sadly, I am here to report that those victim funds were themselves victimized, and repeatedly so.

And sadly, the alleged fraud is as substantial as it is galling. As described in the Complaint, more than \$42 million that was intended for Holocaust survivors instead found its way into the pockets of corrupt employees of the Claims Conference and an elaborate network of fraudsters.

So far in this case, we have charged 17 people. Five were charged and arrested even before today. Four of those have already admitted their guilt and entered pleas to participating in the scheme – specifically, to mail fraud and conspiracy charges.

The defendants include the alleged ringleader who oversaw the two looted funds other corrupt insiders at the Claims Conference, an employee of a law firm who submitted fraudulent applications, a document forger, and recruiters who solicited bogus applications from other people. All of them, we allege, received a cut of the money meant for legitimate survivors.

Now, before going any further, let me introduce and thank my colleagues up at the podium.

I am joined here today by our partner in this and so many other important cases: Janice Fedarcy, the Assistant-Director-In-Charge of the New York Field Office of the Federal Bureau of Investigation; and Diego Rodriguez, the Special Agent-in-Charge of the Criminal Section of the New York Field Office of the Federal Bureau of Investigation. I want to congratulate the case agents, Steven Wintonick and

Carrie Fisher, and their supervisor, Martin Feely, as well as the many other FBI agents and interpreters who assisted in the investigation, for their dogged efforts to uncover the full extent of this scheme.

I would also like to thank the prosecutors who are responsible for this matter: Assistant United States Attorneys Rebecca Rohr and Lisa Zornberg, who are in the Complex Frauds Unit, which is led by Jonathan Kolodner and Anirudh Bansal.

Finally, I also want to express my deep appreciation to the Claims Conference and its leaders for their extraordinary cooperation in this investigation. They brought this matter to us in December 2009 after promptly conducting their own investigation when the fraud first came to light. They have provided tremendous assistance to the FBI and this Office in connection with this case.

Now, in order to understand the fraud, it's important to understand what the Claims Conference is and what it does. It is a not-for-profit organization that, for almost 60 years, has assisted Jewish victims of Nazi persecution.

Among many other things, the Claims Conference supervises and administers various funds – paid for by the German government – that make reparation payments to victims of the Nazis. Two programs in particular were victimized by fraud – the Hardship Program and the Article 2 Program.

The Hardship Program is available for Jews who fled the Nazi advance and evacuated their homes during the war. An applicant who can meet that requirement, and can provide identity information, is eligible to receive a one-time payment of about \$3,600. We have identified almost 5,000 applications in this program that appear to be fraudulent – resulting in a loss of about \$18 million.

The Article 2 Program finances lifetime pensions, providing about \$411 per month to Jews who lived in hiding or under a false name, in a ghetto, or who were sent to a forced labor camp or concentration camp during World War II. Eligibility is limited to those who earn less than about \$16,000 per year. We have identified over 650 applications in this program that appear to be fraudulent – resulting in a loss of over \$24.5 million.

So, here's how the alleged fraud on these programs worked and who the alleged fraudsters are:

Applicants (mostly in the Russian Jewish immigrant community) were recruited to provide copies of their identification documents – birth certificates, passports – in exchange for a promise of money from a fund relating to the war. Along the way, a false application was prepared in the name of the individual, and their identification documents were allegedly doctored so as to make them appear eligible for payment.

The applications were fraudulent in myriad ways:

- fake dates of birth: to make people who were not even alive during WWII appear older
- fake places of birth
- fake passport photographs
- fake identification documents, allegedly prepared by Dora Grande, one of the defendants charged today

- fabricated stories of persecution: Many of the fraudulent applications also used similar – even identical – language to describe the person’s flight from the Nazis

Many of the fake documents, we charge, were manufactured by a defendant, Dora Grande, at her shop in Brooklyn.

The fraudulent applications were then allegedly directed to the corrupt insiders in the Manhattan Office of the Claims Conference who were supposed to serve as the funds’ gatekeepers – the Director, Semyon Domnitser, and a number of caseworkers and a clerk.

We allege that the culture of fraud by Semen Domnitser and his corrupt crew was such that even some of his employees and their families received Article 2 Fund payments that they were not entitled to.

I should also mention that two people in this case are also charged with witness tampering, because they tried to convince some of their co-conspirators to lie to the FBI.

After World War II, the Claims Conference was established to aid victims and survivors of perhaps the worst cruelty in all of human history. And since 1952, those funds have been available to offer some small compensation for the suffering of so many innocents at the hands of the Nazis.

Working with our partners at the FBI, and with the continued assistance of the Claims Conference, we will bring to justice all those who would callously line their own pockets by looting a lifeline for Holocaust survivors.

Let me now call on Janice Fedarczyk, the Assistant Director-In-Charge, of the FBI’s NY Field Office.